

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Genesee County 9-1-1 Consortium Comm.		County Genesee	
Fiscal Year End 09/30/06		Opinion Date 10/27/06		Date Audit Report Submitted to State			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

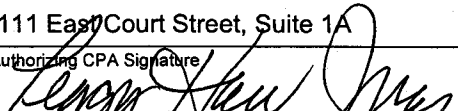
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Plante & Moran, PLLC			Telephone Number 810-767-5350	
Street Address 111 East Court Street, Suite 1A			City Flint	State MI
			Zip 48502	
Authorizing CPA Signature 		Printed Name Peggy Haw Jury		License Number 110100925

**Financial Statements**  
**Genesee County 9-1-1 Consortium Commission**  
**Genesee County, Michigan**  
**September 30, 2006**  
**with *Independent Auditors' Report***

**Genesee County 9-1-1 Consortium Commission  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2006**

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## **Introductory Section**

**Genesee County 9-1-1 Consortium Commission  
List of Appointed Officials**

**Executive Board of Directors**

Kurt Soper, Davison Township.....	Chairman
Randy Byrne, City of Grand Blanc.....	Vice Chair
Bob Neumann, Mundy Township.....	Treasurer
Robert Cole, Argentine Township .....	Member
Paul Fortino, Gaines Township.....	Member
Eldon Dunklee, City of Montrose.....	Member
Jakki Sidge, Village of Goodrich.....	Member
Scott Streeter, Genesee Township .....	Member
Valerie Pace, Forest Township .....	Member
Robert Pickell, Genesee County Sheriff .....	Member
Rick Arnold, State Police Designee.....	Member
Fred Shaltz, Genesee County Board of Commissioners .....	Member
Rose Bogardus, Genesee County Board of Commissioners .....	Member

**General Membership**

Robert Cole .....	Argentine Township
Teresa Onika .....	Atlas Township
Rod Shumaker.....	Clayton Township
Kurt Soper.....	Davison Township
Bonnie Mathis.....	Fenton Township
Doug Carlton.....	Flint Township
Andrew Trogot.....	Flushing Township
Valerie Pace .....	Forest Township
Paul Fortino.....	Gaines Township
Scott Streeter .....	Genesee Township
Jeff Zittel.....	Grand Blanc Township
Mark Emmendorfer.....	Montrose Township
Larry Foster.....	Mt. Morris Township
Bob Neuman .....	Mundy Township
Jim Jacques .....	Richfield Township
Shelly Ayotte .....	Thetford Township
Anthony McKerchie.....	Vienna Township
Gary Isham.....	City of Burton
William Kovi .....	City of Clio
Pete Auger.....	City of Davison
Dennis Bow.....	City of Flushing
Randy Byrne .....	City of Grand Blanc
Dale Martin .....	City of Linden
Eldon Dunklee .....	City of Montrose
Reid Charles.....	City of Mt. Morris
Paul Bueche .....	City of Swartz Creek
Russell Morse.....	Village of Gaines
Jakki Sidge.....	Village of Goodrich
Arden Hudson .....	Village of Otisville
Fred Shaltz .....	Genesee County

**Genesee County 9-1-1 Consortium Commission  
List of Appointed Officials - (continued)**

**Advisory Board**

Fred Thorsby, Mt. Morris .....	Chairman
Roger Bobb, Genesee Township.....	Vice Chair
William Miller, Gaines Township .....	Member
Curtis St. John, Genesee Township .....	Member
Bill Harvey, Argentine Township.....	Member
Jim Vogt, City of Mt. Morris.....	Member
Boyd Skellenger, Richfield Township .....	Member
Doug Kennedy, City of Flushing .....	Member
Bill Brandon, City of Davison .....	Member
Kurt Soper, Davison Township.....	Member
Lloyd R. Fayling, 9-1-1 Consortium.....	Member
Bruce Trevithick, Genesee County Medical Control .....	Member
Jim Iacovacci, Flint Township .....	Member

**Advisory Board (Alternates)**

Ron Herzberg .....	City of Flushing
Mark Udell.....	City of Burton

## **Financial Section**



**Plante & Moran, PLLC**

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*Independent Auditors' Report*

Genesee County 9-1-1 Consortium Commission Board  
Genesee County 9-1-1 Consortium Commission  
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Genesee County 9-1-1 Consortium Commission (Consortium) as of September 30, 2006 and for the year then ended, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Genesee County 9-1-1 Consortium Commission at September 30, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

October 31, 2006



## **Genesee County 9-1-1 Consortium Commission Management's Discussion and Analysis**

This section of the Genesee County 9-1-1 Consortium Commission's annual financial report presents our discussion and analysis of the Consortium's financial performance during the fiscal year that ended on September 30, 2006. Please read it in conjunction with the Consortium's financial statements, which follow this section.

### **Financial Highlights**

- The Consortium's Total Net Assets are \$19,164,490.
- During the year, the Consortium's expenses of \$4,057,825 were \$129,733 less than the \$4,187,558 generated in telephone service fees and other revenues for governmental programs.
- The Consortium's unrestricted net assets were \$8,421,116 in fiscal year 2006. \$19,202 is restricted for wireless education expenses and \$361,835 is restricted for capital improvements.
- The Consortium's net assets invested in capital assets are \$10,362,337.
- The Consortium's available cash and investments to be used to pay for future operations were \$7,873,435.
- The Consortium's investment in the Capital Project fund was \$354,210.

### **Overview of the Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### **Basic Financial Statements**

The basic financial statements provide detailed information about the Consortium's two funds and the Consortium as a whole. Funds are accounting devices that the Consortium uses to keep track of specific sources of funding and spending for particular purposes.

- The General Fund is required by State law.
- The Consortium establishes other funds to control and manage money for particular purposes (like the Capital Improvement Fund).

The Consortium has one kind of fund:

- Governmental funds – Most of the Consortium's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Consortium's programs. The General Fund is the only major fund of the Consortium.

## Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 20 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Consortium. This required information regarding the Consortium's budget to actual comparison for the general fund can be found on page 21.

## Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets exceeded liabilities by \$19.1 million at the close of the most recent fiscal year (see below table).

### Summary Condensed Statement of Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Current assets	\$ 8,929,332	\$ 9,018,793
Noncurrent assets:		
Capital assets	<u>10,362,337</u>	<u>9,792,245</u>
Total assets	<u>19,291,669</u>	<u>18,811,038</u>
Liabilities	<u>127,179</u>	<u>120,502</u>
Net assets:		
Invested in capital assets	10,362,337	9,792,245
Restricted	381,037	362,533
Unrestricted	<u>8,421,116</u>	<u>8,535,758</u>
Total net assets	<u>\$19,164,490</u>	<u>\$18,690,536</u>

By far the largest portion of the Consortium's assets reflect its investment in capital assets (office and communication equipment). The Consortium uses these assets to provide its services; consequently these assets are not available for future spending. An additional net asset (2%) represents resources that are subject to external restrictions on how they may be spent. The remaining balance of unrestricted net assets, \$8.4 million (44% of net assets) may be used to meet the Consortium's ongoing obligations.

Per State of Michigan requirements non-wireless and wireless revenue and expenses are separately shown on the Statement of Activities. Any unspent wireless service fees and unspent wireless education income at September 30, 2006 have been shown as a fund balance reservation in the General Fund. At September 30, 2006, there were no unspent wireless funds and \$19,202 of unspent wireless education funds.

## Financial Analysis of the Consortium's Funds

As noted earlier, the Consortium uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the Consortium's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Consortium's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Consortium.

### **Consortium's Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Revenue:</b>		
Program revenue:		
Charges for services	\$ 4,163,501	\$ 4,564,784
Operating grants and contributions	24,057	15,871
General revenue:		
Interest	344,221	226,489
Total revenue	<u>4,531,779</u>	<u>4,807,144</u>
<b>Program expenses:</b>		
Non-wireless	3,667,412	3,287,449
Wireless	<u>390,413</u>	<u>346,617</u>
Total program expenses	<u>4,057,825</u>	<u>3,634,066</u>
<b>Change in net assets</b>	473,954	1,173,078
<b>Net assets – beginning of year</b>	<u>18,690,536</u>	<u>17,517,458</u>
<b>Net assets – end of year</b>	<u><u>\$19,164,490</u></u>	<u><u>\$18,690,536</u></u>

### **Consortium Commitments**

The Consortium's contract with Motorola for the 800 MHZ trunked digital simulcast radio system was completed during 2006. The current amount of the contract was revised from \$9,744,704 to \$9,718,304 of which the Consortium has paid the entire amount by September 30, 2006. The RCC Consultant contract for \$174,080 has \$88,562 paid on it to date at September 30, 2006. The Consortium has 20 year land leases which are paid at various rates.

### **General Fund Budgetary Highlights**

The Consortium once again produced a timely budget for 2005 - 06 and amended it in September 2006. The budget for 2007 was also adopted timely.

### **Capital Assets**

At the end of 2006, the Consortium had invested \$10,362,337 in office and communication equipment with no off-setting debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the GASB Statement 34.

### **Contacting the Consortium's Financial Administration**

This financial report is designed to provide our customers and investors and creditors with a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Genesee County 9-1-1 Consortium Commission's Director, Lloyd Fayling at G-4481 Corunna Road, Flint, Michigan 48532.

## **Basic Financial Statements**

**Genesee County 9-1-1 Consortium Commission**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**September 30, 2006**

	Governmental Fund Types		Total Governmental Funds
	General	Capital Project	
<b>Assets</b>			
Cash and cash equivalents	\$ 4,727,644	\$ -	\$ 4,727,644
Investments	3,145,791	354,210	3,500,001
Interest receivable	108,414	7,625	116,039
Due from other governments	330,317	-	330,317
Prepaid expenses	255,331	-	255,331
Capital assets (not depreciated)	-	-	-
Capital assets (net of depreciation)	-	-	-
	<hr/>		
Total assets	\$ 8,567,497	\$ 361,835	\$ 8,929,332
<hr/>			
<b>Liabilities</b>			
Accounts payable	\$ 9,000	\$ -	\$ 9,000
Accrued liabilities	118,179	-	118,179
	<hr/>		
Total liabilities	127,179	-	127,179
<hr/>			
<b>Fund balance/Net assets</b>			
Fund balance:			
Reserved for prepaid expenses	255,331	-	255,331
Reserved for wireless education expenses	19,202	-	19,202
Reserved for capital outlay	-	361,835	361,835
Unreserved:			
Designated for future year expenditures	5,295,935	-	5,295,935
Undesignated	2,869,850	-	2,869,850
	<hr/>		
Total fund balance	8,440,318	361,835	8,802,153
<hr/>			
Total liabilities, and fund balance	\$ 8,567,497	\$ 361,835	\$ 8,929,332
<hr/>			
Net assets:			
Invested in capital assets			
Restricted for wireless			
Restricted for capital improvements			
Unrestricted			
Total net assets			

*See notes to financial statements.*

Adjustments (Note II A)	Statement of Net Assets
\$ -	\$ 4,727,644
-	3,500,001
-	116,039
-	330,317
-	255,331
188,571	188,571
10,173,766	10,173,766
10,362,337	19,291,669
-	9,000
-	118,179
-	127,179
(255,331)	-
(19,202)	-
(361,835)	-
(5,295,935)	-
(2,869,850)	-
(8,802,153)	-
(8,802,153)	127,179
10,362,337	10,362,337
19,202	19,202
361,835	361,835
8,421,116	8,421,116
\$ 10,362,337	\$ 19,164,490

**Genesee County 9-1-1 Consortium Commission**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**For the Year Ended September 30, 2006**

	General	Capital Project	Total Governmental Funds
<b>Expenditures/Expenses:</b>			
Current:			
Non wireless:			
Salaries and wages	\$ 1,354,555	\$ -	\$ 1,354,555
Fringe benefits	585,873	-	585,873
Office supplies	9,487	-	9,487
Postage	2,069	-	2,069
Uniforms	4,786	-	4,786
Contract services	86,347	-	86,347
Accounting	10,447	-	10,447
Professional fees	21,412	-	21,412
Memberships	2,584	-	2,584
Insurance	41,528	-	41,528
Telephone	45,735	-	45,735
Utilities	28,653	-	28,653
Building maintenance	15,763	-	15,763
Equipment maintenance	7,134	-	7,134
Equipment service contracts	203,942	-	203,942
Equipment lease	5,751	-	5,751
Tower lease	41,004	-	41,004
Facilities agreement	40,000	-	40,000
Education and training	7,877	-	7,877
Depreciation	-	-	-
Capital outlay:			
Communications equipment	1,722,557	-	1,722,557
Wireless:			
Salaries and wages	371,368	-	371,368
Salaries - education and training	6,713	-	6,713
Education and training	12,332	-	12,332
Total expenditures/expenses	4,627,917	-	4,627,917
<b>Charges for Services:</b>			
Telephone service fees	3,789,074	-	3,789,074
Wireless service fees	371,368	-	371,368
Other revenues	3,059	-	3,059
Operating grant:			
Wireless education income	24,057	-	24,057
Total program revenues	4,187,558	-	4,187,558
<b>Net program (costs) revenue</b>	(440,359)	-	(440,359)
<b>General Revenues:</b>			
Interest	330,729	13,492	344,221
Excess (deficiency) of revenues over expenditures/expenses	(109,630)	13,492	(96,138)
Fund balance/net assets - beginning of period	8,549,948	348,343	8,898,291
<b>Fund balance/net assets - end of period</b>	\$ 8,440,318	\$ 361,835	\$ 8,802,153

*See notes to financial statements.*

Adjustments (Note II B)	Statement of Activities
\$ -	\$ 1,354,555
-	585,873
-	9,487
-	2,069
-	4,786
-	86,347
-	10,447
-	21,412
-	2,584
-	41,528
-	45,735
-	28,653
-	15,763
-	7,134
-	203,942
-	5,751
-	41,004
-	40,000
-	7,877
1,035,088	1,035,088
(1,605,180)	117,377
-	371,368
-	6,713
-	12,332
(570,092)	4,057,825
-	3,789,074
-	371,368
-	3,059
-	24,057
-	4,187,558
570,092	129,733
-	344,221
570,092	473,954
9,792,245	18,690,536
<u>\$ 10,362,337</u>	<u>\$ 19,164,490</u>



## **Notes to Basic Financial Statements**

**Genesee County 9-1-1 Consortium Commission**  
**Notes to Basic Financial Statements**  
**September 30, 2006**

**I. Summary of significant accounting policies**

**A. Reporting entity**

The Genesee County 9-1-1 Consortium Commission (Consortium) was jointly created by agreement between Genesee County and various public agencies (Charter Townships of Flint, Clayton, Montrose, Grand Blanc, Genesee, Fenton, Mundy, Mt. Morris and Vienna; Townships of Davison, Richfield, Argentine, Forest, Atlas, Gaines, Thetford, and Flushing; Cities of Mt. Morris, Clio, Linden, Grand Blanc, Swartz Creek, Burton, Davison, Flushing, and Montrose; villages of Gaines, Goodrich and Otisville) pursuant to the Urban Cooperation Act and the 9-1-1 Act to administer and execute the Genesee County 9-1-1 Consortium Agreement, and to operate the Central Dispatch Public Safety Answering Point pursuant to designation from the Board of Commissioners. The Consortium's effective date of creation was March 1, 1997. The agreement shall terminate on the effective date upon which there are no longer at least two parties to the agreement.

One member is appointed by the governing body of each of the participating members of the consortium. These members collectively constitute the membership board. The Membership Board is required to adopt an annual operating budget for the operation of Central Dispatch and shall elect the elected director members of the Executive Board. The Executive Board shall consist of 13 members (nine of these members will be members of and elected by the Membership Board, the four other members shall be two members of the Board of Commissioners selected by the Board of Commissioners, a representative of the State Police designated by the Director of the State Police and the Genesee County Sheriff or his or her designated representative). Of the Elected Directors, six shall represent general law and charter townships, two shall represent cities and one shall represent villages. Persons holding Elected Director positions are removable by the Membership for reasonable cause.

Any party may withdraw from the Consortium, and thereby prospectively rescind or terminate the Consortium Agreement as to that party, by a formal majority vote of the governing body of the party, which approved withdrawal must also specify an effective date. The withdrawal may not be made effective; however, prior to one hundred eighty (180) days after the party has notified the Consortium of the approval of the withdrawal, or at the end of the Consortium's fiscal year within which the vote is taken, whichever is later. The withdrawing party's future financial obligations, if any, as a party to this agreement shall cease as of the date withdrawal becomes effective, and all interest the member may have in funds and other property of the Consortium, including but not limited to the equipment used in operating Central Dispatch, shall be forfeited. Financial obligations which have accrued as of the withdrawal must be paid by the withdrawing party.

The parties to the Consortium shall be assessed by the Membership Board their respective shares of any Central Dispatch costs which are within the proper cost and charge components of the emergency telephone charge under Section 102 of the 9-1-1 Act, MCL 484.1102, and which are not funded by the two emergency telephone charges or by non-parties to this Agreement, in these shares:

Genesee County	22%
Other Parties	78%

**Genesee County 9-1-1 Consortium Commission**  
**Notes to Basic Financial Statements**  
**September 30, 2006**

**I. Summary of significant accounting policies - (continued)**

**A. Reporting entity – (continued)**

The “Other Parties” will share the 78% on the basis of an average percent using state equalized value (SEV) and population. The percentages applied will be the respective percentages, of each Other Party, of the total SEV and the total population of all the Other Parties. This average percentage may be changed from time to time by the Executive Board when changes in the SEV or population occur, and shall be changed to reflect any addition to or deletion from the roster of Other Parties.

As to any period of operation during which Central Dispatch is not being operated by the Consortium, no Central Dispatch costs shall be assessed to the Members of the Consortium, the first paragraph of this Section notwithstanding, in excess of the greater of: 1) the costs provided for in the annual budget for Central Dispatch as adopted by the Membership Board; 2) costs reasonably required to maintain the type and quality of 9-1-1 service that was being provided by Central Dispatch.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function. *Program revenues* include charges to customers who purchase, use, or directly benefit from services provided.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for services associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**Genesee County 9-1-1 Consortium Commission**  
**Notes to Basic Financial Statements**  
**September 30, 2006**

**I. Summary of significant accounting policies - (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Amounts reported as *program revenues* include charges to customers for services.

When both restricted and unrestricted resources are available for use, it is the Consortium's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

1. Deposits:

The Consortium's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments:

Investments for the Consortium are stated at fair value. Certificate of deposits with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets:

Capital assets, which include office equipment, communication equipment and leasehold improvements, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Office equipment, communication equipment, and leasehold improvements of the Consortium are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office furniture	10
Computer equipment	5
Software	2-5
Communication equipment	10
Towers	20
Leasehold improvements	15

5. Fund equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Genesee County 9-1-1 Consortium Commission**  
**Notes to Basic Financial Statements**  
**September 30, 2006**

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The details of this difference are as follows:

Capital assets	<u>\$10,362,337</u>
Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u>\$10,362,337</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 1,605,180
Depreciation expense	<u>(1,035,088)</u>
Net adjustment to increase <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u>\$ 570,092</u>

**III. Stewardship, compliance, and accountability**

**Budgetary information**

The Consortium follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget is submitted to the membership board for the year commencing October 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund. (This fund is required to have a budget per Michigan law).
2. The budget is legally adopted on a line item basis.
3. Budget appropriations lapse at year end, except for certain projects which are appropriated on a project length basis.
4. The original budget was amended during the year.

A log of telephone calls is maintained by type of caller for use in allocating expenses between non-wireless and wireless. For fiscal year 2006, the split was wireless – 42.1% and non-wireless – 57.9%.

**Genesee County 9-1-1 Consortium Commission**  
**Notes to Basic Financial Statements**  
**September 30, 2006**

**III. Stewardship, compliance, and accountability – (continued)**

**Budgetary information – (continued)**

Per a vote of the people, the telephone service fee of \$2.40 has been renewed through December 31, 2010 however, current law only allows the surcharge to be collected to December 31, 2007.

**IV. Detailed notes on all funds**

**A. Deposits and investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorized local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks, commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Consortium has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Consortium's deposits and investment policies are in accordance with statutory authority.

The Consortium's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Consortium had \$7,637,936 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Consortium believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Consortium evaluates the financial institution it deposits funds with and assesses their level of risk; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Consortium does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Consortium's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Sweep investment	\$489,709	Counterparty

**Genesee County 9-1-1 Consortium Commission**  
**Notes to Basic Financial Statements**  
**September 30, 2006**

**IV. Detailed notes on all funds – (continued)**

**B. Receivables**

Receivables as of year end for the Consortium's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities:

	<u>Amounts</u>
Receivables:	
Interest and dividends	\$116,039
Intergovernmental	<u>330,317</u>
Gross receivables	446,356
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u><u>\$446,356</u></u>

**C. Capital assets**

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not depreciated:				
Construction in progress	\$ 8,233,909	\$ 1,555,292	\$9,600,630	\$ 188,571
Capital assets, being depreciated:				
Office and communication equipment	6,603,667	9,600,631	-	16,204,298
Leasehold Improvements	-	49,887	-	49,887
Less accumulated depreciation for:				
Office and communication equipment	(5,045,331)	(1,035,088)	-	(6,080,419)
Total capital assets, being depreciated, net	<u>1,558,336</u>	<u>8,615,430</u>	<u>-</u>	<u>10,173,766</u>
Governmental activities capital assets	<u><u>\$ 9,792,245</u></u>	<u><u>\$10,170,722</u></u>	<u><u>\$9,600,630</u></u>	<u><u>\$10,362,337</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

    Current:

Non-wireless	\$1,035,088
Wireless	<u>-</u>

Total depreciation expense – governmental activities \$1,035,088

**Genesee County 9-1-1 Consortium Commission**  
**Notes to Basic Financial Statements**  
**September 30, 2006**

**IV. Detailed notes on all funds – (continued)**

**C. Capital assets – (continued)**

Communication project commitments:

The Consortium had four active project commitments during 2006, three of which were completed and one which is still active as of September 30, 2006. The project includes the purchase and installation of an 800 MHZ trunked digital simulcast radio system. At year end the Consortium's commitments are as follows:

<u>Vendor</u>	<u>Final Contract Amount</u>	<u>Paid to Date</u>	<u>Remaining Commitment</u>
Omnicon/RCC Consulting	\$ 199,647	\$ 199,647	\$ -
Motorola	9,718,304	9,718,304	-
RCC Consultants	174,080	88,562	85,518
Castle Brothers, Inc.	46,037	46,037	-

Preventive maintenance plan:

The Consortium also contracted with a company to provide an aggressive 10 month preventive maintenance plan for communication equipment at a monthly rate of \$3,200. This contract is for labor only. Any service parts will be billed over and above the contract. The contract is for the period March 2006 through December 2006.

The Consortium also contracted with two companies to provide an aggressive preventive maintenance plan for communication software. The first agreement is a five-year term and has an annual rate starting at \$80,916 in year one (February 2004) and ending at \$96,489 in year five (February 2009). The first agreement can be cancelled at any time by the Consortium. The second agreement is a one-year term and has an annual rate of \$29,264 and is for the period January 2006 through December 2006.

**D. Operating leases**

The Consortium has agreements for the lease of land sites and the use of a tower under non-cancelable operating leases.

The following is a schedule, by year, of the future minimum rental payments required under the non-cancelable operating leases as of September 30, 2006.

2007	\$ 28,001
2008	28,001
2009	28,001
2010	28,001
2011	28,001
2012 and after	<u>352,013</u>
Total minimum payments required	<u><u>\$492,018</u></u>



**Genesee County 9-1-1 Consortium Commission**  
**Notes to Basic Financial Statements**  
**September 30, 2006**

**IV. Detailed notes on all funds – (continued)**

**D. Operating leases – (continued)**

The Consortium also entered into a sublease agreement in July 2004 with a third party for the use of the land sites noted above. The third party has constructed communication towers on the land sites. This lease also gives the Consortium the use of the towers that will be constructed on these sites by the third party. The maintenance and insurance of the towers will be maintained by the third party.

Rental expense for all operating leases for the year ended September 30, 2006, was \$41,001.

The Consortium also has a facilities agreement for the occupancy of space in which they currently operate. The agreement is an annual lease and can be cancelled six months prior to year end in any given year. The agreement has an annual rate of \$40,000, which covers use of space and various utilities.

**V. Other information**

**A. Retirement plan**

Full-time dispatchers and supervisors:

The Consortium has established the Genesee County 9-1-1 Consortium defined contribution pension plan administered by Manulife Financial. The plan covers all full-time employees, with the exception of the director and deputy director, of the Consortium with at least three months of service and who are at least eighteen years of age.

The employer contributes 10% of (total gross pay) employee compensation earned during the plan year for full-time dispatchers, the administrative clerk, and the computer technician. The employer contributes 15% of (total gross pay) employee compensation earned during the plan year for full-time supervisors, the computer administrator, and the administrative assistant. Each participant is 20% vested for each completed year of service to 100% for contributions made by the employer on their behalf. The plan does provide for employee contributions up to 10% for any employee who receives a 10% employer contribution. The plan also calls for a mandatory 5% employee contribution from all employees who receive a 15% employer contribution. During the year ended September 30, 2006, the Consortium contributed \$169,559 into the plan and employees contributed \$18,162 into the plan.

Director and Deputy Director:

The Consortium has also established the Genesee County 9-1-1 Consortium money purchase plan (Executive 401) administered by ICMA. The plan covers the director and deputy director of the Consortium with no service or age requirements.

The employer contributes 18% and 15%, respectively, of (base pay) employee compensation earned during the plan year for the Director and Deputy Director and the employee contributes 5%. There is no vesting period included in this plan. During the year ended September 30, 2006, the Consortium contributed \$25,444 into the plan and the director and deputy director contributed \$7,625.

**Genesee County 9-1-1 Consortium Commission**  
**Notes to Basic Financial Statements**  
**September 30, 2006**

**V. Other information – (continued)**

**A. Retirement plan – (continued)**

457 plan:

The Consortium offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. The plan, available to substantially all Consortium employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency.

The Consortium's plan administrator, ICMA, holds the assets of the plan within trusts. As a result, the plan's assets are not reflected on the financial statements since the Consortium has no fiduciary or administrative responsibility for these plans.

**B. Risk management**

The Consortium is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Consortium has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Consortium pays unemployment claims on a reimbursement basis.

## **Required Supplementary Information**

**Genesee County 9-1-1 Consortium Commission**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended September 30, 2006**

	<b>Budgeted</b>		<b>Actual</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Telephone service fees	\$ 4,275,000	3,635,000	\$ 3,789,074	\$ 154,074
Wireless service fees	310,000	360,000	371,368	11,368
Wireless education income	16,000	24,000	24,057	57
Earnings on investments and deposits	74,000	289,000	330,729	41,729
Other revenues	2,000	2,000	3,059	1,059
<b>Total revenues</b>	<b>4,677,000</b>	<b>4,310,000</b>	<b>4,518,287</b>	<b>208,287</b>
<b>Expenditures:</b>				
Current:				
Non wireless:				
Salaries and wages	1,458,000	1,392,000	1,354,555	37,445
Fringe benefits	617,000	633,000	585,873	47,127
Office supplies	15,000	15,000	9,487	5,513
Postage	2,500	2,500	2,069	431
Uniforms	6,000	6,000	4,786	1,214
Contract services	172,000	112,000	86,347	25,653
Accounting	12,500	12,500	10,447	2,053
Professional fees	25,000	25,000	21,412	3,588
Memberships	3,200	3,200	2,584	616
Insurance	52,000	52,000	41,528	10,472
Telephone	60,000	60,000	45,735	14,265
Utilities	50,000	50,000	28,653	21,347
Building maintenance	17,000	17,000	15,763	1,237
Equipment maintenance	26,000	26,000	7,134	18,866
Equipment service contracts	272,700	272,700	203,942	68,758
Equipment lease	6,300	6,300	5,751	549
Tower lease	46,000	46,000	41,004	4,996
Facilities agreement	40,000	40,000	40,000	-
Education and training	17,000	17,000	7,877	9,123
Contingency	25,000	25,000	-	25,000
Capital outlay:				
Communications equipment	4,637,000	2,277,000	1,722,557	554,443
Wireless:				
Salaries and wages	310,000	376,000	371,368	4,632
Salaries - education and training	7,200	7,200	6,713	487
Education and training	16,500	16,500	12,332	4,168
<b>Total expenditures</b>	<b>7,893,900</b>	<b>5,489,900</b>	<b>4,627,917</b>	<b>861,983</b>
Excess (expenditures) revenues	(3,216,900)	(1,179,900)	(109,630)	1,070,270
Fund balance - beginning of period	8,549,948	8,549,948	8,549,948	-
<b>Fund balance - end of period</b>	<b>\$ 5,333,048</b>	<b>\$ 7,370,048</b>	<b>\$ 8,440,318</b>	<b>\$ 1,070,270</b>



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October 31, 2006

Genesee County 9-1-1 Consortium Commission Board  
Genesee County 9-1-1 Consortium Commission

We have recently completed our audit of the financial statements of Genesee County 9-1-1 Consortium Commission (Consortium) for the year ended September 30, 2006. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the Consortium Commission Board and others within the organization.

#### **Auditor's Responsibility Under Generally Accepted Auditing Standards**

We conducted our audit of the financial statements of Genesee County 9-1-1 Consortium Commission in accordance with generally accepted auditing standards. The following paragraphs explain our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

### **Significant Accounting Policies**

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. It is to that end that we inform you there were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you on accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. In this connection, we noted no matters related to sensitive accounting estimates.

### **Audit Adjustments**

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. The following matters are being reported to you in this area, we made adjustments to prepaid expenses, accounts receivable and accrued expenses that, in our judgment, either individually or in the aggregate, do not have a significant effect on the Consortium's financial reporting process.

Auditing standards also require us to inform the Consortium Board about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There were no unrecorded possible financial statement adjustments for the year ended September 31, 2006.

### **Other Information in Documents Containing Audited Financial Statements**

When our audit report and the audited financial statements are included in a client document, we have a responsibility to read that document and consider whether anything therein is inconsistent with the information in the audited financial statements. As indicated above, the purpose is solely to consider whether the information is inconsistent with the audited financial statements. We did not audit any of the information outside the financial statements and cannot provide you with any assurance as to its accuracy.

### **Disagreements With Management**

In the process of conducting an audit, various matters will be discussed with management. In that process, significant differences of opinion may arise regarding the scope of the audit, the application of accounting principles, disclosures to be included in the Company's financial statements or the wording of our report. In the interest of keeping you informed of all significant matters, such differences are required to be reported to you even though they are satisfactorily resolved. There were no disagreements with management over the application

of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements or the wording of the auditor's report.

#### **Consultation With Other Accountants**

When management consults with other accountants about significant accounting and auditing matters, auditing standards require that we present our views on those matters to you. To our knowledge, there were no such consultations with other accountants.

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

**PLANTE & MORAN, PLLC**

A handwritten signature in black ink, reading "Peggy Haw Jury". The signature is written in a cursive, flowing style.

Peggy Haw Jury, CPA, CFE